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MOBILIZATION OF FINANCIAL RESOURCES FOR UNIDO PROGRAMMES

Report by the Director-General

Summary

Responds to the mandate provided by decision IDB.25/Dec.5 in which the Director-General is requested to maintain a continuous dialogue with Member States to actively sustain the common resource mobilization efforts and to report on the progress made to the Board at its twenty-sixth session. Reports on progress made in the mobilization of financial resources and informs on new approaches.

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Introduction

1. The present document responds to the mandate provided by decision IDB.25/Dec.5 in which the Director-General is requested to maintain a continuous dialogue with Member States in order to actively sustain the common resource mobilization efforts and to report on the progress made to the Board at its twenty-sixth session. The document should be considered in conjunction with the Annual Report of UNIDO 2001 (IDB.25/2-PBC.18/2), Chapter V. A which provides information on the mobilization of funds for UNIDO services from the various sources available to the Organization. In addition, the addendum to the Annual Report 2001 (IDB.25/2/Add.1-PBC.18/2/Add.1) shows a list of technical cooperation activities.

2. Extrabudgetary funding for the delivery of UNIDO services is extremely important, given the very limited availability of funding for technical cooperation activities from the regular budget. In 2001 approximately half of the extrabudgetary funding obtained related to the specific objectives of the Montreal Protocol and the Global Environment Facility (GEF), and the other half was provided by governmental contributions using the Industrial Development Fund or the trust fund mechanism. It is evident therefore that these governmental contributions are essential for the implementation of the integrated programmes as well as the important priorities defined in the Medium-Term Programme Framework 2002-2005 (GC.9/Res.2).

I. PROGRAMMING THRUST FOR THE BIENNIUM 2003-2004

3. For the biennium 2003-2004 the priority in respect of programming of funds available to the Organization will continue to be given to (a) the integrated programmes; (b) the new initiatives being developed by the Organization in response to the medium-term programme framework and the international development priorities; and (c) priority stand-alone activities in countries where no integrated programme is operating. Evidently, such stand-alone projects will be developed and implemented within the eight service modules. In terms of geographical distribution, priority will continue to be given to the least developed countries (LDCs) and Africa.

4. The first new initiative has been fully developed and was launched during the International Conference on Financing for Development that took place at Monterrey, Mexico, in March 2002. The initiative "Enabling developing countries to participate in international trade—strengthening the supply capacity" was well received and has attracted a high level of interest. It is anticipated that this initiative will attract considerable funding from donor Governments.

5. Other new initiatives are being considered or are already under development, including one in relation to the forthcoming World Summit on Sustainable Development to be held at Johannesburg, South Africa, from 26 August to 4 September 2002. Once fully developed, these initiatives will also be used as a basis for mobilizing financial resources for their implementation.

II. FUNDS MOBILIZATION FOR THE INTEGRATED PROGRAMMES

6. UNIDO continues to give priority to mobilizing funds for the integrated programmes. The total amount raised has increased to over $100 million (including future payments under signed agreements). In addition, a number of projects with a value of some $20 million are under negotiation with donors. UNIDO field representatives are associated with these efforts and are requested to maintain close working relations with donors represented in their country of assignment. Where appropriate and useful, special funds mobilization missions are undertaken in order to have focused consultations with potential donors in the field. This is usually combined with a presentation of the overall programme by the Government to the donor community.

7. The single most important issue for effective funds mobilization for the integrated programmes is the extent of real government/national ownership and commitment. It is essential that donors have no doubt about the programme being "owned" and driven by the Government and other national stakeholders including the private sector. Also for several potential sources of funds the Government is either directly responsible (direct foreign investment loan funding, for self-funding and cost-sharing) or highly influential (for UNDP and GEF funding). Overall, funds mobilization is a joint responsibility of the Government and UNIDO.

III. NEW OPPORTUNITIES FOR THE MOBILIZATION OF FUNDS

8. Starting in 1998, UNIDO has been focusing its activities further. Initially, its services had been grouped into 16 service modules, but following the experience gained in the last four years eight service modules are now in operation. This clear focus has greatly facilitated the promotion of the specific activities of these service modules. Based on these well-defined activity areas, UNIDO has started approaching selected donors with a view to developing thematic partnerships. Such partnerships could include the provision of programmable funds within the thematic subject area, funding for specific agreed projects, and also cooperation in the development of the concept, approaches and related

tools, as well as joint research in the subject. This has been recently achieved when the Swiss Agency for Development and Cooperation approved a project of thematic cooperation in the areas of small and medium enterprises networking and cluster development for an estimated cost of $1.3 million. It is anticipated that such partnerships would strengthen the cooperation with the donor, but also strengthen the conceptual basis and operational tools for key UNIDO activities.

9. The new initiatives mentioned in paragraphs 4 and 5 above would further enhance the opportunities for developing thematic partnerships with donors as well as the scope for mobilizing funds. Where suitable, UNIDO endeavours to use opportunities provided by major international conferences to draw the attention of the international community to selected programme activities of UNIDO, by launching clearly defined initiatives responding to the key concerns being addressed by each conference. The new initiative "Enabling developing countries to participate in international trade—strengthening the supply capacity" was launched during a side event of the International Conference on Financing for Development, jointly with the European Commission, which is a potential partner and major donor for the initiative. It was well received and resulted in a number of inquiries and requests for assistance. Similarly, a new initiative related to rural energy may be launched during the forthcoming World Summit on Sustainable Development.

10. Finally, in relation to the "Enabling developing countries to participate in international trade—strengthening the supply capacity" initiative, UNIDO launched for the first time a dedicated trust fund, aiming at funding well-defined types of small or urgent activities within the initiative. The fund has been established with an initial UNIDO contribution of $1 million which was drawn from its limited regular programme resources. Donors are being approached for contributions to this trust fund. A first contribution of €200,000 was made by Austria, and consultations with several other donors are expected to result in contributions in the coming months.

IV. ACTION REQUIRED OF THE COMMITTEE

11. The Committee may wish to consider recommending to the Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information contained in document IDB.26/6-PBC.18/7;

"(b) Decides to delegate to the Director-General the authority to approve projects for financing under the Industrial Development Fund in 2003 and 2004 in accordance with the priorities defined in the medium-term programme framework, 2002-2005 (GC.9/Res.2);

"(c) Encourages Member States and other donors to increase their voluntary contributions to UNIDO;

"(d) Also encourages all donors to consider contributing programmable funds, specifically to enable UNIDO to implement the integrated programmes in a coordinated manner and achieve the synergy and increased impact envisaged in the integrated programme concept, as well as to support an efficient development and implementation of the new initiatives;

"(e) Encourages Governments of recipient countries to play a more active role in sharing with UNIDO the responsibility to mobilize funds for jointly developed integrated programmes and other high-priority activities, and specifically to assist in identifying and accessing funds available at the country level, including cost-sharing arrangements, and funds from bilateral donors, UNDP, and from the World Bank and other development finance institutions;

"(f) Strongly recommends that Member States cooperate with the Organization in its efforts to launch and promote the new initiatives in the international development context, especially in international conferences and other forms of dialogue, to ensure that these initiatives are well known and their relevance for international development targets appreciated."